

# Nikkei South Korea Manufacturing PMI<sup>®</sup>

## Manufacturing operating conditions deteriorate further in March

### Key points:

- Production reduced as new orders continue to decline
- Output prices discounted amid client requests
- Business confidence remains subdued

Data collected March 12<sup>th</sup> – 21<sup>st</sup>

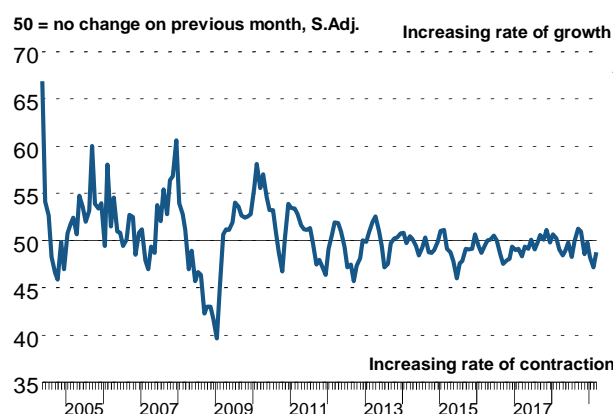
South Korean manufacturers continued to face a challenging business environment in March. Falling new orders from domestic and overseas markets prompted further cutbacks to production. Employment was also reduced as part of cost-cutting and restructuring efforts. Price discounting by competitors drove panellists to decrease selling charges to stimulate sales. Expectations remained positive, with firms anticipating output volumes to pick up over the coming year, but sentiment was notably weaker than the historical average.

The headline Nikkei South Korea Manufacturing Purchasing Managers' Index<sup>™</sup> (PMI)<sup>®</sup> – a composite single-figure indicator of manufacturing performance derived from five key survey indices – scored below the 50.0 no-change threshold in March, thereby indicating a deterioration in the economic health of the manufacturing sector, the fifth straight month in which this has been the case. That said, having risen to 48.8 from 47.2 in February, the figure pointed to a mild decline that was the weakest since last December.

Demand for South Korean manufactured goods continued to fall during March. Panellists attributed reduced orders to slowdowns in domestic and overseas markets. On the international front, China and Europe were mentioned as two key players behind the dip in new export business. Reduced workloads prompted further production cutbacks in March, extending the current sequence of falling output to five months. Overall, the rate of decline was broadly in line with the average recorded across the current downturn. As a result, lower production led stocks of finished goods to fall, with the rate of depletion the quickest in just over one-and-a-half years.

Some of the existing inventories of manufactured

Nikkei South Korea Manufacturing PMI



Sources: Nikkei, IHS Markit

items were used to clear outstanding orders. Backlogs of work fell in March at the joint-sharpest pace since June 2015.

Lower production requirements drove companies to cut employment for a fifth successive month. Restructuring plans and efforts to reduce costs were also mentioned by some panel members. That said, the rate of job shedding was only slight and the weakest since last December.

On the price front, input prices increased at an accelerated pace in March amid reports of higher labour and metal costs. However, the rate of inflation was only modest and notably softer than seen throughout 2018. Lower prices for other purchases such as wheat, grains and sugar suppressed the overall rise. Relatively stable input prices encouraged some firms to boost purchasing activity, but stocks of purchases ultimately fell as lower order book volumes encouraged inventory run-downs.

Regarding selling prices, cuts by competitors, requests for discounts by clients and lower costs for particular inputs contributed to a fourth successive monthly fall in output charges in March.

Nevertheless, firms anticipate output volumes to increase over the coming year, in line with forecasts of improvements in the domestic economy.

However, optimism was weak relative to the long-run average.

**Comment:**

Commenting on the South Korean Manufacturing PMI survey data, **Joe Hayes**, Economist at IHS Markit, which compiles the survey, said:

*“Manufacturing firms in South Korea remained under pressure during March, with demand continuing to flag and production cutbacks prevailing. Of concern to panellists were the economic conditions in China and Europe, while slowing domestic growth momentum was also reportedly a factor pulling on the sector.*

*“Indeed, firms look set to expect challenging conditions to persist, as selling prices were cut amid reports of falling charges at competitors and requests for discounts from clients. A subdued outlook was also reflected in output expectations, which remained notably weaker than the survey’s historical average.”*

-Ends-

## Nikkei South Korea Manufacturing PMI<sup>®</sup> is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpō (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

## ASIAN REVIEW <http://asia.nikkei.com/>

### INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



#### Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



#### JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



#### VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



#### POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more



#### MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



#### Video:

Watch analysts explain our articles, catch interviews with top executives.



#### Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

**For further information, please contact:**

**IHS Markit (About PMI and its comment)**

Joe Hayes, Economist  
Telephone +44 1491 461 006  
Email [joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Joanna Vickers, Marketing and Communications  
Telephone +44 207 260 2234  
E-mail [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

Bernard Aw, Principal Economist  
Telephone +65 6922 4226  
E-mail [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

**Nikkei inc. (About Nikkei)**

Ken Chiba, Deputy General Manager, Public Relations Office  
Atsushi Kubota, Manager, Public Relations Office  
Telephone +81 3 6256 7115  
Email [koho@nex.nikkei.co.jp](mailto:koho@nex.nikkei.co.jp)

**Notes to Editors:**

The Nikkei South Korea Manufacturing *PMI*<sup>®</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size, based on the industry contribution to GDP. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper, and Transport. Data collected prior to May 2009 are based exclusively on survey responses from companies operating in the electronics sector.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei South Korea Manufacturing *PMI*<sup>®</sup> is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

*IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.*

**About PMI**

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>®</sup>) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Nikkei South Korea Manufacturing *PMI*<sup>®</sup> provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*<sup>™</sup> and *PMI*<sup>®</sup> are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei uses the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

*If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#).*